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The G20 and Jobs – Time for "Plan B"

by John Evans

When the economic crisis broke following the collapse of Lehman Brothers in September 2008 and the global banking system seized up, workers began to be laid off, families saw their houses repossessed and banks teetered on the brink of collapse. Financial panic knew no frontiers. It was clear that a coordinated global response by governments and institutions was required to counter what the IMF termed the "Great Recession". The major economies used the G20 as the forum to coordinate their responses, scaling it up from a low-key Finance Ministers' Forum into a Heads of Government Summit process – effectively replacing the G8.

The international trade union movement responded rapidly[1], matching the "heat" of the street with the "light" of policy messages coming out of the G20 Summits. Trade union demands centred on stabilising employment, putting in place social protection for workers hit by the crisis, and effective and coordinated government intervention to support the global economy so as to prevent the "Great Recession" becoming a 1930s-style "Great Depression". Three years later, with the crisis in a new and even more dangerous phase and major economies slipping into recession, the trade union agenda is as valid as it ever was.

At the first G20 Summit of Leaders held in Washington DC in November 2008, the Global Unions' "Washington Declaration" called on governments to initiate a major recovery plan that invested in infrastructure and "green jobs" and protected low incomes; reregulate financial markets and put an end to "*an ideology of unfettered financial markets*"; and to democratize economic governance – giving the ILO a seat at the G20 table and providing for the meaningful participation of trade unions. The trade union statement also stressed the need for governments to attack the "*crisis before the crisis*" – the explosion of inequality in income distribution that today is recognised as being one of the causes of the debt bubble in the United States that contributed to the financial meltdown.

The Washington DC G20 Summit was followed by two Summits in 2009 in London and Pittsburgh. The initial policy response by the G20, whilst far from meeting all of the trade union demands, was nevertheless positive. Coordinated stimulus plans were put in place, which the ILO estimated saved some 21 million jobs worldwide in the period 2009-2010. At Pittsburgh, G20 governments made a commitment to "*putting quality jobs at the heart of the recovery*", largely a result of the policy advocacy of the global union movement.

In 2010, at the G20 Labour and Employment Ministers' Meeting held in Washington DC, the G20 went even further and called for "*corrective measures*" to address the widening of income inequality through "*minimum wage policies and improved institutions for social dialogue and collective bargaining*". However, little was done to translate these commitments into action. Moreover, despite potentially far-reaching announcements of the desire to reregulate financial markets and institutions at the London Summit Action Plan on financial regulation, the governments who bailed out major financial institutions left the power relations and corporate cultures unchanged with disastrous effect. The opportunity was missed for a more radical nationalisation and restructuring of the major institutions when this would have been politically feasible in 2008 and 2009.

The progress made in supporting growth was also brought to an abrupt end as a recovery began in early 2010. The trigger for the change was the sovereign debt crisis that exploded with Greece in the spring of 2010. In the space of just a few weeks, the G20 finance ministers pivoted away from supporting employment and demand in the global economy to a premature focus on fiscal consolidation for fear that they would be faced with rising spreads of interest rates on their sovereign debt and therefore hoped to appease the bond markets. Moreover, the agenda for fiscal consolidation was dominated by public expenditure cuts and austerity measures rather than revenue-raising measures such as the introduction of a Financial Transaction Tax (FTT), which would help ensure that the financial sector makes its contribution to paying for the crisis as well as calming speculation.

By the second half of 2010, G20 government policymaking was being driven by global financial markets rather than the other way round. The banks returned to profits thanks to the unprecedented guarantees of their liabilities provided by governments. They got on with the business of paying massive bonuses and lobbying against financial reform, while failing to start lending again to small and medium-sized enterprises. And all these problems were compounded by the reinforcement of the austerity message at the Toronto and Seoul G20 Summits in 2010, chaired by deeply conservative governments with little ambition to move the G20 agen-

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da forward and even less concern for the "jobs" agenda.

The trade unions' primary objective for the 2011 French G20 Presidency was to put past G20 commitments to quality employment and financial market regulation back on track. Trade unions put these issues on the table at the first "L20" – "Labour G20" – held at the Cannes G20 Summit in November 2011. Trade unions called on the G20 to recognise that their priority in the short-term should be to reduce unemployment, while making public budgets sustainable in the medium-term. This means first and foremost getting people back to work, not slashing expenditure.

The Cannes G20 was a tale of two Summits. On the one hand there was a Summit that delivered progress, on paper at least, with regard to growth and jobs, monetary reform, food prices, social protection, development and G20 governance, including an "institutionalisation" of social partner participation in the G20 process. It also created a G20 Task Force on Employment to focus on youth employment and called on the ILO, OECD, IMF and World Bank to report to G20 Finance Ministers on the global employment outlook and the employment impact of the G20 Framework. On the other hand, there was a parallel Summit dominated by the Euro-zone crisis, which filled the press headlines that almost totally focused on the Greek sovereign debt crisis and its potential contagion to Italy and other countries.

In any case the outcomes of Cannes have been completely overtaken by subsequent events. First, the Greek and Italian leaders have resigned and been replaced with "technocrat" administrators who have the expressed aim of "reforming" public finance in order to stabilise the bond markets. Then, at its meeting in December 2011, the European Council adopted an inter-governmental agreement which imposes considerable budget "discipline" and a dangerous balanced budget rule on Euro-zone member countries implying greater austerity and budget cuts. This significantly undermines the prospect of achieving growth levels sufficient to create the number of jobs required in the G20 – 21 million a year to bring unemployment down to 2008 levels in the medium-term as estimated by the OECD and the ILO.

The author is writing this column having just participated in discussions on youth unemployment during the social partners' consultations at the first meeting of the G20 Task Force on Employment held in Mexico on December 15. Unions now have a "seat at the table" for at least some of the G20 meetings. But many of the government representatives on the Task Force see the limits of their ambition as exchanging good practice on apprenticeship systems or other supply side measures. Against the background of renewed austerity, neither such supply side-measures nor the positive announcements on jobs at the G20 in Cannes will significantly reduce the numbers of unemployed.

There is, however, an alternative. "Plan B" would involve those economies with fiscal space and who still have access to capital markets taking stimulus measures – even the OECD November 2011 Economic Outlook has said that this applies to half OECD members – and making this stimulus growth contingent, as Australia did in 2009, i.e. the withdrawal of stimulus should be contingent on growth returning to above trend rates.

The Global Unions have put forward a four point plan for jobs and recovery – a "Plan B" that would not only stem the crisis but shape a post-crisis world that would be economically, socially and environmentally just and sustainable. This Plan B entails that G20 governments should:

- Fulfil their Pittsburgh commitment to put "quality jobs at the heart of the recovery" by establishing differentiated but coordinated job targets for the G20 countries. This would include immediate measures for job-intensive infrastructure programmes, green jobs investment and labour market programmes to raise skills;
- Transform the structural policy agenda to strengthen labour market institutions, social partnership, collective bargaining, negotiated and legislated minimum wages, and income support for low-income groups so as to reduce income inequality. This must include a jobs pact for youth;
- Move forward to establish a social protection floor that is supported by adequate funding according to levels of development;
- Implement rapidly the reforms to the financial sector that had been agreed at the G20 London Summit but never effectively enacted, and go beyond this to effectively restructure financial groups that have become too-big-to-fail, and establish a financial transaction tax.

If coupled with "Plan B", commitments made on jobs by G20 governments in the Cannes Declaration might actually have a chance of being met.

1 The Global Unions Statements to the G20 Summits and Ministerial meetings and the ITUC-TUAC evaluations of the outcomes are available on the TUAC and ITUC websites www.tuac.org and www.ituc-csi.org

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